

Electronic Outlook Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

Mildred M. Haley (Coordinator)

Cattle/Beef Prices Surge Under Border Uncertainties

NOTE: Due to uncertainties as to the length of the bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2005 assume a continuation of policies currently in place among U.S. trading partners. The current delay in the implementation of the minimal-risk rule is assumed to be temporary.

Cattle/Beef:

First-quarter beef production estimates have been reduced due to poor winter weather feeding conditions and the delay in opening trade of Canadian cattle under 30 months of age on March 7. A preliminary injunction issued on March 2 kept the border closed and ordered the parties to meet for the purpose of providing the Court with a proposed schedule for trial on the merits for a permanent injunction.

Wet conditions and muddy feedlots in many Great Plains feeding areas have reduced feedlot performance and consequently fed cattle marketings. First-quarter slaughter was also reduced because of delays in opening the Canadian border. Previous forecasts assumed the border would open March 7 with adequate regulatory guides in place on both sides of the border for economic trade to balance in North America over the following 12 months. Only first-quarter estimates have been adjusted due to uncertainties in resolution of the preliminary injunction currently in place.

Tight beef supplies, particularly for higher grading beef, have pushed beef prices up again this winter. Prices for Choice beef averaged \$4.09 a pound in January and are expected to remain near these levels until feedlot performance improves and/or the ban on Canadian cattle is lifted.

Contents

[Cattle/Beef](#)
[Dairy](#)
[Hogs/Pork](#)
[Poultry](#)
[Eggs](#)
[Contact and Links](#)

Tables at a Glance

[Red Meat and Poultry](#)
[Economic Indicators](#)
[Dairy](#)

Web Sites

[Animal Production and Marketing Issues](#)
[Cattle](#)
[Dairy](#)
[Hogs](#)
[Poultry and Eggs](#)
[WASDE](#)

Tables will be released on
March 29, 2005.

The next newsletter
release is April 15, 2005

Approved by the World
Agricultural Outlook
Board.

In the week following the preliminary injunction on March 2, Choice boxed beef prices rose nearly \$12 per hundredweight (cwt) from \$141.40 to \$153.06 as end users competed for a rapidly downward revised supply of beef. For the year, retail prices for Choice beef are expected to average in the upper-\$3.80s per pound. As the market moves toward the seasonally strong post-Easter (March 27) period, spring market prices could move up dramatically if the supply situation remains unexpectedly tight.

Per capita beef supplies are expected to rise about 2 pounds this year to 68 pounds per person, up modestly from 2002's 67.7 pounds prior to the bans on Canadian beef and cattle. The ban on some Canadian boneless beef was lifted in August 2003, but the cattle ban continues. Bans on U.S. beef imports continue, particularly in the Asian markets. Negotiations continue on an agreement for exports of U.S. beef into Japan, but a final agreement has not been reached.

Dairy:

The dairy industry in 2004 was covered with records: matching 2003 for record output; setting commercial use records for both milkfat and skim solids; and seeing average prices hit a record. In 2005, the industry may not receive such accolades, but it is shaping up as a memorable year. Production and use probably will again set records with prices declining only moderately.

Hogs/Pork:

U.S. and foreign consumers appear to be sustaining their demand for pork products. Two months into the year, wholesale demand remains robust, as measured by the composite cutout. For the week ending March 11 the cutout measured \$70.18, or 1.8 percent above a year ago, and more than 16 percent higher than the 3-year average of \$60.37. Two factors that likely increased pork demand last year were high prices for competing animal proteins--beef in particular--and very strong foreign demand for U.S. pork products. These two factors will likely continue to support demand in 2005 as well.

First-quarter prices of live 51-52 percent hogs are expected to range between \$52 and \$53 per hundredweight (cwt), almost 19 percent above the same period last year. Expected January-March pork production is 5.2 billion pounds, about the same as first-quarter 2004. First-quarter retail prices are expected to average in the low \$2.80s per pound, 5 percent more than a year ago.

On March 7, the U.S. Department of Commerce (DOC) announced its final determinations in the countervailing duty (CVD) and the antidumping (AD) investigations on imports of live swine from Canada. In the antidumping duty investigation, DOC found that producers/exporters have sold live swine from Canada in the U.S. market at less than fair value, with margins ranging from 0.53 percent (de minimis) to 18.87 percent. The "All Others" average rate is 10.63 percent. In the countervailing duty investigation, DOC found that countervailable subsidies are not being provided to producers or exporters of live swine from Canada.

On March 8, 2005, the U.S. International Trade Commission (ITC) held its final hearing concerning the question of whether Canadian hog imports cause injury or threaten to cause injury to the U.S. hog industry. The ITC is scheduled to announce its final injury determination on or before April 18. If the ITC determines that

imports of live swine are materially injuring, or threatening to materially injure the domestic industry, then DOC will issue an antidumping duty order in April 2005. If the ITC makes a negative injury determination, the antidumping duty investigation will terminate, and the duty bond refunded.

Poultry:

The overall broiler production estimate for 2005 is 35.13 billion pounds, up 3.1 percent from 2004. Even with the higher broiler production forecast, broiler prices are expected to gradually strengthen in 2005, but remain below their year-earlier levels during the first half of 2005.

Turkey production in 2005 is forecast at 5.58 billion pounds, up 2.2 percent from the production seen in 2004, but lower than in 2003. With lower stock levels and only a small increase in production forecast, prices for whole birds are expected to remain above their year-earlier levels during the first half of 2005.

Turkey exports for 2005 are forecast at 510 million pounds, based on continued growth in sales to Mexico and Canada along with strong improvement in shipments to a number of Asian countries. A rapid resolution of current export problems to the Mexican market will be the key to overall export levels as shipments to Mexico accounted for 61 percent of all exports in 2004.

Eggs:

In 2005, table egg production is expected to increase to about 6,465 million dozen, nearly 1.6 percent over 2004, while prices are expected to move downward to between 64-68 cents per dozen at the wholesale level and about 20 percent below 2004's \$1.30 per dozen retail price. Egg exports in 2005 are expected to be about 20 percent higher than in 2004, due mainly to declining U.S. prices.

Weather Conditions, Continued Trade Bans Hold Down Beef Supplies

First-quarter beef production estimates have been reduced due to poor winter weather feeding conditions and the delay in opening trade on Canadian cattle under 30 months of age on March 7. Much uncertainty prevails as to the opening of the Canadian border for importing cattle under 30 months of age for feedlot placement or immediate slaughter. A preliminary injunction issued on March 2 kept the border closed and ordered the parties to meet for the purpose of providing the Court with a proposed schedule for trial on the merits for a permanent injunction. In addition, an emergency appeal was filed by the National Meat Association to be heard by March 28.

Wet conditions and muddy feedlots in much of the Great Plains feeding areas have reduced feedlot performance and consequently fed cattle marketings. First-quarter slaughter was also reduced because of delays in opening the Canadian border. Previous forecasts assumed the border would open March 7 with adequate regulatory guides in place on both sides of the border for economic trade to balance in North America. Only first-quarter estimates have been adjusted due to uncertainties in resolution of the preliminary injunction currently in place.

On-Feed Inventories Remain Above 2003-04 Levels

Cattle on feed inventories on February 1 in feedlots with over 1,000 head of capacity were 2 percent above a year earlier and up 6 percent from 2 years ago. Fed cattle marketings during January were about unchanged from last year's low levels, but down 10 percent from February 2003. Placements rose 7 percent from a year earlier as cool, wet conditions forced larger numbers of stocker cattle to be moved off small grain pasture. First-quarter placements are likely to rise 2 to 3 percent above a year earlier; however, placements the rest of the year are expected to fall below year-earlier levels due to declining calf crops and greater heifer retention. Even with moderate numbers of feeder cattle entering from Canada for immediate feedlot placement and slaughter at under 30 months of age, feedlot inventories are expected to decline throughout 2005, dropping below year-earlier levels in the fourth quarter and likely throughout 2006. A slow first-quarter marketing pace and larger placements in the first quarter will keep fed cattle marketings above the low 2004 pace until fall even with Canadian feeder cattle imports.

Improved grazing prospects in most areas, low cattle inventories, and near record cattle prices are expected to encourage herd expansion and increased heifer retention for breeding this year. Although wet, cool conditions this winter have reduced feedlot performance and forced cattle into feedlots prematurely, these conditions should provide a favorable base for the best grazing conditions in most areas since the late 1990s.

Beef Production Set To Rise 4 Percent

Cow slaughter is expected to remain near the cyclical lows set in 2004 and near 5.1 to 5.2 million head, assuming normal grazing conditions. Improved fed cattle marketing conditions and opening the Canadian border for slaughter cattle under 30 months of age are expected to increase beef production about 4 percent this year.

The largest year-to-year increases will be in the second and third quarters, with year-to-year increases beginning to slow in the fourth quarter and declining below year-earlier levels in early spring 2006 if the Canadian-U.S. cattle inventories come into balance with slaughter capacities. The industry will then again face tight slaughter cattle numbers until inventories expand. Meaningful increases in slaughter cattle numbers are not likely until mid-2007.

Cattle Prices Remain Near Record High

Fed cattle prices were recording record highs for the quarter through February, and with the preliminary injunction against cattle imports from Canada on March 2 and poor feeding conditions resulting in unexpectedly tighter supplies, prices moved up even more sharply. Prices this quarter are expected to average in the upper-\$80s per cwt, well above last year's first-quarter record \$82.16 per cwt. Better feeding conditions and increased fed cattle marketings together with increased Canadian cattle in the slaughter mix are expected to hold prices near the lower-\$80s for the remainder of the year, with the lowest prices expected in the third quarter. Prices are expected to average near \$84 per cwt for the year, less than a dollar below the explosive prices of 2003 (\$84.69) and 2004 (\$84.75). Prices will begin to rise in the fourth quarter as the Canadian cattle bubble is worked down and the impact of continued low cattle inventories takes over.

Retail Beef Prices Remain Strong

Tight beef supplies, particularly for higher grading beef, have pushed beef prices up again this winter. Prices for Choice beef averaged \$4.09 a pound in January and are expected to remain near these levels until feedlot performance improves and/or the ban on Canadian cattle under 30 months is lifted. In the 2 weeks following the preliminary injunction on March 2, Choice boxed beef prices rose over \$12 to \$14 per cwt from \$141.40 to the mid-\$150s as end users competed for a rapidly lowered supply of beef. For the year, retail prices for Choice beef are expected to average in the upper-\$3.80s per pound. As the market moves toward the seasonally strong post Easter (March 27) period, spring market prices could move up dramatically if the supply situation remains unexpectedly tight.

Per capita beef supplies are expected to rise about 2 pounds this year to 68 pounds, up modestly from 2002's 67.7 pounds, prior to the bans on Canadian beef and cattle. The ban on Canadian boneless beef was lifted in August 2003. Bans on U.S. beef continue in many foreign markets, particularly in Asia. Progress continues on an agreement for exports of U.S. beef into Japan, but a final agreement has not been reached.

Beef Exports Continue Slow Rise

The United States regained access to a number of beef export markets during 2004 but remains excluded from our major Asian markets. Beef exports remain sharply below the 2.5-billion pounds recorded in 2003 before the BSE discovery of a Canadian-born cow in Washington State in late December. Exports to Mexico continue to rise, and in spite of large domestic supplies, exports to Canada continue to rise.

Cyclical lows in cow slaughter and consequently a large deficit in processing beef supplies continue to draw in record-large beef imports even as world beef supplies remain tight with both the United States and Canada banned from the major beef importing countries. U.S. imports from Australia, New Zealand, and Uruguay remain very large and at relatively high prices. This situation is likely to remain very tight until U.S. cattle inventories have risen for several years and cow slaughter begins to rise.

The dairy industry in 2004 was covered with records: matching 2003 for record output; setting commercial use records for both milkfat and skim solids; and seeing average prices hit a record. In 2005, the industry may not need quite as many superlatives, but it is shaping up as a memorable year. Production and use probably will again set records with prices declining only moderately.

2004 Output Matches 2003

Milk production in 2004 struggled somewhat but managed to total essentially the same as in 2003. Output started the year weak but recovered slowly as strong returns buttressed cow numbers, the reverse of the prior year when low returns sapped cow numbers as the year progressed. Meanwhile, growth in milk per cow was erratic and generally weak.

Low returns during 2002 and the first half of 2003 boosted farm exits and discouraged expanding farms throughout 2003, resulting in steadily declining cow numbers during 2003. However, higher returns during the second half of 2003 and rapidly improving price prospects during the winter turned cow numbers around in early 2004. Milk cows rose fractionally to a late summer peak before easing slightly in autumn. At yearend, milk cow numbers were just slightly larger than a year earlier.

The reaction of cow numbers to the increase of about one-third in returns over concentrate costs was quite muted. The number of farms leaving dairying apparently did shrink in a relatively typical manner. However, producers were very cautious about expanding their farms. The very strong milk prices probably were interpreted as based on a unique and transitory set of factors, not fundamental changes in long-run prospects. In addition, the increases in milk prices were partially offset by smaller payments under the Milk Income Loss Contracts (MILC) for the smaller farms.

Other forces helped to limit the response to record milk prices. The number of dairy replacement heifers was significantly smaller at the start of 2004, particularly for heifers due to calve in 2004. The ban on imports of Canadian breeding stock aggravated the heifer shortage. In addition, the two exercises in cooperative supply management not only removed capacity early, but also kept those cows from becoming part of the replacement pool.

Growth in milk per cow, already relatively weak through most of 2003, was hit by sharply reduced availability of bovine somatotropin (BST) in 2004. For the March-November period, producers could buy no more than half their normal purchases, with less restrictive allocations in place earlier and later. In addition, no new customers were accepted. Milk per cow was significantly reduced by the lack of the hormone, particularly early in the year.

However, softness in milk per cow was more deeply rooted than just the lack of BST. Most major dairy areas had forage quality problems during part of 2004. Although most areas had fairly large forage supplies, a substantial share was not dairy quality. In addition, the normal boost to average milk per cow because of

structural change was lessened because the number of new and expanding farms and the number of exiting farms were relatively small.

Milk production in 2004 totaled virtually the same as 2003's record, as the decline in milk cow numbers of less than 1 percent was about offset by a less-than-1-percent rise (daily average basis) in milk per cow. Output was particularly weak during the first quarter, but then managed to post small increases during summer and autumn.

Milk Production To Expand

The herd of dairy replacement heifers was 3 percent larger than a year earlier on January 1, 2005, with the same increase in heifers expected to calve in 2005 as for younger heifers. This increase should significantly ease the heifer tightness this year and has already resulted in a small moderation in heifer prices. Even so, 2005 heifer prices are likely to remain relatively high. Without imports from Canada, even the larger heifer numbers may be less than desired. The difference between replacement and slaughter values probably will stay large enough to erase any significant influence of cull cow prices on milk cow numbers.

Returns in 2005 are expected to be considerably below 2004's very high levels but still relatively strong. Dairy farm exits probably will accelerate a little as the year progresses, particularly if the MILC expire as scheduled at the end of September. However, even weaker operations likely will be relatively well positioned to resist exit after 2 years of strong returns. Stronger farms probably will stay cautious about expanding until the size of recovery in milk production is seen. But, the accumulated earnings will tend to spur some expansion as 2005 goes on.

Milk cow numbers are projected to slip fractionally in 2005. The loss of cows associated with farm exit and culling of those cows whose milking life was extended beyond normal criteria in 2004 is expected to slightly outweigh the effects of added capacity.

Allocations of BST rose on March 1 from 85 percent of normal to 115 percent, although new customers still are not welcome. Return to near-normal availability of BST and relatively strong economic incentive for its use should have a substantial impact on milk per cow. In addition, relative milk and concentrate feed prices will provide considerable incentive to boost feeding. A presumed return to more normal culling may also provide a boost, although positive effects are not assured.

Uneven forage quality might be a negative influence on milk per cow, particularly if spring forage growth is slow. Weakness should be limited though, because large supplies of mediocre hay and good milk prices probably will eliminate feeding of poor forage. Problems may loom for production of western alfalfa this year. This winter's very heavy precipitation in southern California, Nevada, and Arizona will help provide irrigation water this summer but may reduce output from early cuttings. Surface water supplies in the Northwest likely will be very short unless late-season precipitation is very heavy. Some areas of the Northwest already faced seriously depleted aquifers after several dry years.

Mud problems substantially reduced milk per cow in southern California during early 2005. Even though this area's relative importance is considerably less than in earlier years, damage probably will be perceptible in the California and U.S. averages. Some impact reportedly was also seen in Arizona. The extent of lingering effects will hinge on how much culling rates rose because of the mud.

Milk per cow is projected to grow less than 3 percent in 2005 on a daily average basis, a significant but far from complete recovery from the sluggish expansion of the last 2 years. This higher milk per cow would push milk production up about 2 percent, the first real growth since 2002.

Commercial Stocks Comfortable

Excess dairy stocks were dissipated during 2004. Commercial stocks of butter, and cheese to a lesser extent, had been pushed to large levels by the sluggish demand of 2002 and most of 2003. However, last year's tight markets reduced warehouse holdings to modest levels. In fact, unreported pipeline stocks may have been low at yearend.

February 1 stocks were down about 1 billion pounds, milk equivalent, milkfat basis, from a year earlier and 3 billion pounds from 2 years earlier. On a skim solids basis, commercial stocks were almost 1 billion pounds below the moderate levels of the 2 preceding years.

The huge stocks of government nonfat dry milk are essentially gone. Holdings on March 1 were only about one-fourth those of mid-2003 and represented powder that almost entirely was in the process of moving into specific donation uses. Aggressive use of nonfat dry milk in domestic and foreign donations combined with a rapidly diminishing current surplus to slash government stocks.

A 2004 dairy surplus essentially did not exist, as growth in milk production paused and demand was strong. Milkfat removals were actually negative, as small sales of butter for unrestricted use outweighed the modest removals of nonfat dry milk. On a skim solids basis, net removals were equivalent to slightly more than 1 billion pounds of milk, less than 1 percent of marketings and down drastically from the 8 to 10 billion pounds of 2003, 2002, or 2000.

Milkfat removals are expected to be again negligible in 2005. Demand should be able to absorb additional milk production without strain. Removals of skim solids will depend on the strength of export demand. If international powder markets remain tight as expected, removals probably will total close to last year's with most of the small surplus in the second half.

Cheese and Butter Demand Amazing, With Powder Catching Up

Commercial use of dairy products rose to records in 2004 despite sharp jumps in most dairy prices. On a milkfat basis, use rose more than 1 billion pounds milk equivalent even though butter prices averaged above \$1.60 per pound every month other than January. Commercial exports of nonfat dry milk and much more moderate price increases for skim solids let sales of skim solids rise more than 7 billion pounds milk equivalent.

Dairy demand in 2004 clearly was extraordinary, even if it might not have been quite as strong as it appeared. Growth in the economy and consumer incomes was strong, and the unemployment rate decreased. In addition, consumer spending shifted back towards more normal patterns after the unusual 2002-03 period. This change particularly benefited restaurants, boosting demand for butter and cheese. However, consumer price response might have been more pronounced if the sheer spring price increases had not reversed course so quickly. Buyers barely had time to react before prices fell.

Commercial use of cheese rose almost 3 percent from 2003 in the face of wholesale cheese prices by more than one-fourth higher. This was the largest increase in the amount of cheese sold since 2000 and may be the greatest jump in apparent cheese demand ever recorded. In some ways, butter demand was even more impressive. Commercial use rose only 1 percent—but wholesale prices averaged more than 60 percent higher than a year earlier.

Commercial disappearance of nonfat dry milk jumped more than 40 percent in 2004, posting strong gains throughout the year. Commercial exports undoubtedly were the key factor in the size of the sales increase. Without the export surge, the sizable unrestricted sales of government powder during the first half (and the resulting boost in apparent use) probably would have displaced fresh product during the second half. As it turned out, export sales easily absorbed any powder that became available.

Not all sales boomed in 2004. Fluid milk sales fell about 1 percent, with particularly large declines during the much-publicized spring price peaks. Sales of soft products were about unchanged, with sales of lowfat ice cream and cottage cheese increasing enough to offset declines in the full fat versions.

Dairy demand is expected to stay good in 2005. The economy and incomes are projected to continue to grow at a relatively strong pace. In addition, food and restaurant spending seems to have shaken off the doldrums of 2002 and most of 2003. Commercial use of milkfat is expected to increase about 1 percent in 2005, while commercial use of skim solids is projected to rise 2 percent, in part because of commercial exports of powder.

International Markets Firm

Prices in international dairy markets have been remarkably stable thus far in 2005, without even normal seasonal declines. Export supplies from the European Union remain tight, Oceania late-season milk production has done little to make up for earlier declines, and U.S. export supplies of powder have tightened considerably. Meanwhile, demand remains brisk and the U.S. dollar relatively weak.

Prices are expected to remain strong through at least most of 2005. Demand prospects are good, with strength coming from a number of regions. Export supplies are not likely to grow much until at least well into the new Oceania season. Even then, some commitments from the current season reportedly have been deferred until early next season, delaying when any production expansion could make new deals possible.

U.S. commercial exports of nonfat dry milk are projected to remain large in 2005. Export supplies probably will be sizable, even without the availability of government stocks. However, these supplies are likely to be easily absorbed by importers, particularly during the first half. Slight softening could occur in the second half, but exports are projected to stay large. Cheese exports are projected to grow in 2005, although projected domestic prices may limit the attractiveness of U.S. supplies.

Prices Adjust Downward

Wholesale prices of butter and cheese got a post-holiday bump in early 2005 on the strength of a slight softness in the milk production expansion, a likely larger-than-normal pipeline refilling, and, possibly, some early precautionary buying. Since then, prices have bounced as traders have tried to adjust to unsettled fundamentals, a particularly early Easter season, and the jitters carried over from last year's volatility. However, production expansion, both seasonally and from a year earlier, is expected to generate a price downtrend through spring.

Demand is not expected to be able to accommodate the projected milk production without an adjustment in average milk prices for the year. However, a \$1 to \$2 decrease from \$16 per cwt still leaves relatively attractive milk prices. Early 2005 milk prices have been above a year earlier, but this spring's prices will be much below last year. Prices are projected to stay below a year earlier during the second half.

Key uncertainties in the price outlook include the recovery in milk per cow, an acceleration of the number of farms expanding, the strength of butter and cheese demand, and the path of international powder prices. Given the history of recent years, even the relatively full return of BST is no guarantee of strong milk per cow. On the other hand, the accumulated returns from 2004 and the first half of 2005 may encourage producers to do whatever has to be done to get new facilities built and filled.

If the domestic demand for cheese and butter and export demand for nonfat dry milk all stay brisk throughout 2005, the struggle for the milk supply could keep price declines smaller than expected. On the other hand, significant softening in two of the segments or a sharp break in any one could accentuate the price drop.

Retail dairy prices rose more than 7 percent in 2004, despite the second straight decline in the farm-to-retail spread. Like other dairy prices, retail prices rose at a blistering rate between early 2004 and summer before easing somewhat during the second half. In 2005, retail dairy prices are projected to increase 1 to 2 percent as a moderate expansion in the spread outweighs the decline in farm prices.

2005 Pork Demand So Far Appears Sustained

One of the key questions about North American pork markets in 2005 is the sustainability of demand. Last year, strong demand for U.S. pork products drove U.S. retail pork prices to all-time highs and live U.S. hog prices to 7-year highs. It appears that 2005 is off to a good start. Two months into the year, the USDA Estimated Pork Carcass Cutout--a proxy for U.S. and foreign demand--remains robust. As of March 11, the weekly average cutout measured \$70.18, almost 2 percent above a year ago, and more than 16 percent higher than the 3-year weekly average of \$60.37.

Two factors that likely increased pork demand last year were high prices of competing animal proteins and very strong foreign demand for U.S. pork products. These two factors will likely continue to support demand in 2005. High beef prices in particular--from lower supplies of cattle--will support domestic pork demand for the next year or two. The U.S. Commerce Department reports that January pork exports were almost 25 percent greater than a year ago. The weak U.S. dollar, which is expected to persist at least through 2005, is likely to continue making U.S. pork products an attractive buy abroad. Disease-related closures--Avian Influenza for poultry, and BSE for beef--of important Asian markets will also undoubtedly provide continued export strength this year.

Continued Strong Hog and Pork Prices Expected

First-quarter prices of live 51-52 percent hogs are expected to range between \$52 and \$53 per cwt, almost 19 percent above the same period last year. Expected January-March pork production is 5.2 billion pounds, about the same as first-quarter 2004. First-quarter retail prices are expected to average in the low \$2.80s per pound, 4 percent more than a year ago.

Both Exports and Imports of Pork Likely Higher This Year

U.S. pork exports in 2005 will likely reach 2.3 billion pounds, 5 percent more than last year. In all likelihood, Japan, Mexico, and Canada will account for at least three-quarters of those exports, as in past years. On the import side, while the weak U.S. dollar makes imported pork products more expensive, U.S. pork imports are expected to increase almost 9 percent this year. Anticipated lower live swine imports due to antidumping penalties currently in place will likely cause an increase in pork imports to compensate for lower live imports.

Fewer Live Imports From Canada Currently Expected

The United States is expected to import about 8 million slaughter hogs and feeder pigs this year, virtually all of which will originate from Canada. This quantity is almost 6 percent lower than last year, with the reduction attributable to required deposits/bonds, equal to dumping penalties, imposed on imported Canadian hogs and feeder pigs by the U.S. Government in October 2004. The DOC made final determinations with respect to CVD and AD questions on March 7, but the investigation of the ITC continues. The ITC will decide whether to make the dumping penalties permanent in April 2005.

Final Resolution of Trade Dispute Expected in April

The cash deposits/bonds equal to dumping penalties currently being collected at the U.S.-Canada border when Canadian hogs are imported are the result of petitions filed in March 2004 by the National Pork Producers' Council (NPPC), along with 19 State pork producer organizations and more than 100 individual U.S. pork producers. In the petitions, these groups argued that Canadian hogs and feeder pigs established market share in the United States by using illegal subsidies from the Canadian and Provincial Governments, and by selling hogs and feeder pigs in the United States at less than fair value. The petitions argued that the U.S. Government should provide trade relief in the form of antidumping (AD) and countervailing duties (CVD), the affects of each would be to increase prices of imported Canadian feeder pigs and slaughter hogs to U.S. buyers.

Investigations by the DOC and the ITC of the claims by the NPPC et al examined financial records of individual Canadian hog producers, as well as the structures of and disbursements from Canadian Government programs that assist agricultural producers. In May 2004, the ITC found that there were reasonable indications that the U.S. hog industry is "materially injured" by imports from Canada. In August 2004 the DOC announced a negative preliminary determination in the CVD investigation, and a positive preliminary determination with respect to the dumping charge in October 2004. Accordingly, from late October 2004, Canadian exports of live hogs to the United States have been required to post a cash deposit or a bond, equal to antidumping penalties in amounts equal to roughly 14 percent of the value of the imported Canadian hog or feeder pig.

On March 7, the DOC announced the final determinations in the CVD and the AD investigations on imports of live swine from Canada. In the antidumping duty investigation, DOC issued an affirmative determination, finding that producers/exporters have sold live swine from Canada in the U.S. market at less than fair value, with margins ranging from 0.53 percent (de minimis) to 18.87 percent. The "All Others" average rate is 10.63 percent. In the countervailing duty investigation, DOC found that countervailable subsidies are not being provided to producers or exporters of live swine from Canada.

On March 8, 2005, the ITC held its final hearing on determination of injury or threat of injury. The ITC is scheduled to announce its final injury determination on or before April 18. If the ITC determines that imports of live swine are materially injuring, or threatening to materially injure, the domestic industry, then DOC will issue an antidumping duty order in April 2005. If the ITC makes a negative injury determination, the antidumping duty investigation will terminate, and the collected bond refunded.

Broiler Production Down in January but Expected Higher for all of 2005

Broiler production for January 2005 was estimated at 2.81 billion pounds, down less than 1 percent from the previous year. Weekly chick placements over the last 5 weeks have been averaging about 3.5 percent higher than last year, and the forecast for broiler production in the first quarter of 2005 is 8.45 billion pounds, 3.1 percent higher than at the same time in 2004. Along with the increase in the number of chicks being placed for growout, the average weight of birds at slaughter has been about 1 percent higher than a year ago. Broiler producers are expected to increase production in 2005 due to a combination of a relatively strong domestic economic growth, lower average prices for both corn and soybean meal, and higher export demand fueled by a weaker dollar. The overall broiler production estimate for 2005 is 35.13 billion pounds, up 3.1 percent from 2004.

Revisions in the 2004 broiler production estimates produced changes in the quarterly estimates, but left the annual total unchanged. Total broiler production was 34.06 billion pounds, up 4.0 percent from 2003. The higher production in 2004 was due to a 1.0-percent increase in the average slaughter weight and a 2.5-percent increase in the total number of broilers slaughtered.

Over the first 2 months of 2005, the 12-city whole broiler price averaged 71.4 cents a pound, down less than 1 percent from the same period in 2004. Prices for most broiler products have strengthened compared with fourth-quarter 2004, but are below where they were during the first 2 months of 2004. Boneless-skinless breast meat prices in the Northeast market averaged \$1.47 per pound during January and February 2005, down 13 percent from a year earlier. Prices for rib-on breasts averaged 88.2 cents per pound, a decline of 8 percent from the same time in 2004. Broiler prices have risen over the last couple of months partly because strong export demand has reduced cold storage holdings. Leg quarter prices during the first 2 months of 2005 averaged 30.1 cents per pound, down 13 percent from the same period in 2004, but up slightly from the fourth quarter of 2004. Even with higher broiler production forecast, broiler prices are expected to gradually strengthen in 2005, although they are expected to remain below their year-earlier levels during the first three-quarters of the year.

Broiler exports in 2004 totaled 4.77 billion pounds, down 3.1 percent from 2003. Exports last year accounted for 14 percent of domestic production. Most of the decline in broiler exports came from large decreases in shipments to Asian countries such as Hong Kong/China (down 56 percent), Japan (down 33 percent) and Korea (down 54 percent). These declines were partially offset by strong increases in exports to Mexico, Turkey, and some CIS countries, specifically Ukraine and Azerbaijan. Although shipments to Russia were below year-earlier levels for most of 2004, strong shipments over the last 3 to 4 months of the year brought total exports to 1.5 billion pounds. This export total is 3.1 percent higher than in 2003 but below the 1.52 billion pounds exported in 2002. Broiler exports to Russia last year accounted for 32 percent of total exports and represented 42 percent of all U.S. leg quarter shipments. Although the quantity of broiler shipments was down slightly in 2004, strong prices, especially during the first half, pushed the value of exports to \$1.73 billion, up 16 percent from 2003. With lower prices forecast for

the first half of 2005 and a weaker dollar relative to a number of currencies, broiler exports are expected to reach just over the 5 billion pounds, the second highest yearly total.

Turkey Production Forecast Up in 2005

Turkey production in 2005 is forecast at 5.58 billion pounds, up 2.2 percent from the production seen in 2004, but lower than in 2003. The revised production total for 2004 is 5.45 billion pounds, up slightly from the last estimate. During 2004, placements of poults for growout were almost always below the previous year, and the number of birds slaughtered in 2004 was down 5 percent from the previous year. The reduced slaughter was partially offset by a 1.2-percent increase in the average liveweight of turkeys being slaughtered. The higher prices for most turkey products in 2004 and the forecast for lower feed costs are expected to boost turkey production in 2005, after falling in the last 2 years.

With lower production in 2003 and 2004, cold storage holdings of both whole birds and turkey parts have fallen. Turkey stocks at the end of 2004 were down 19 percent from the previous year. Lower turkey stocks are expected to continue during the first half of 2005. With lower stock levels and only a small increase in production forecast, prices for whole birds are expected to remain above their year-earlier levels during the first half of 2005.

Turkey Export Quantity Down, but Value Higher

Turkey exports in 2004 followed much the same pattern as broiler exports. At 443 million pounds, turkey exports were 8.4 percent smaller than in 2003. Again much of the decline came from smaller shipments to Asian countries. In 2004, turkey exports to Hong Kong/China, Korea, and Japan all declined by over 40 percent, as shipments were impacted by bans due to Avian Influenza outbreaks. These reductions were partially offset by higher shipments to Mexico, Canada, and Russia. While the quantity of turkey exports was down 8.4 percent in 2004, strengthening prices pushed the value of these exports to \$300 million, 12.6 percent higher than in the previous year.

Since Mexico accounts for such a large percentage of all turkey exports, any change in the export status of turkey products can have a large impact on the U.S. turkey market. In the middle of February, Mexico placed a partial ban on turkey products due to an outbreak of low pathogenic Avian Influenza in a breeder flock in North Carolina. North Carolina is one of the largest turkey producers. The ban was narrowed to allow products that were going to be further processed to enter the country.

Turkey exports for 2005 are forecast at 510 million pounds, based on continued growth in sales to Mexico and Canada, along with strong improvements in exports to a number of Asian countries. A rapid resolution of export restrictions to the Mexican market will be the key to overall export levels in 2005. Shipments to Mexico accounted for 61 percent of all turkey exports in 2004.

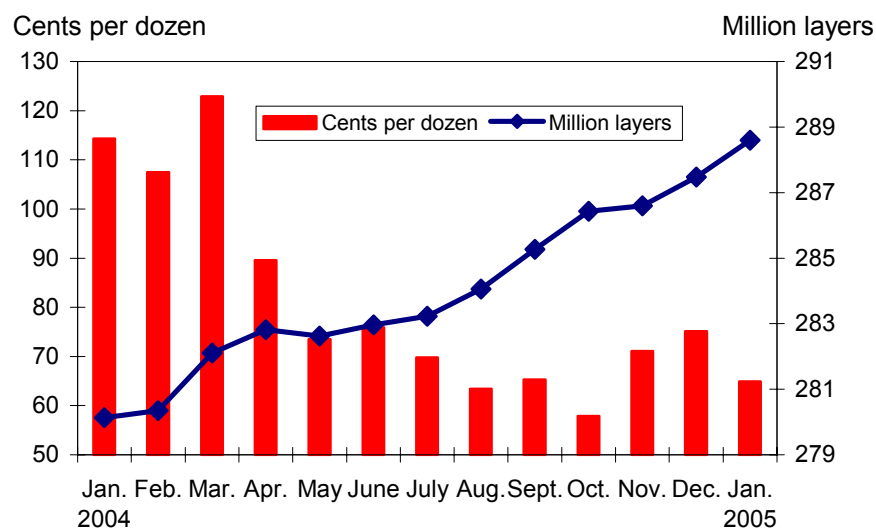
Eggs

Buildup of Layer Flocks Push Prices Down From High Records Early in 2004

Fluctuations in laying flocks over the last 2 years caused wide variation in wholesale table egg prices. After prices for wholesale table eggs (NY grade A large) bottomed-out in May 2003 at 67.67 cents per dozen, declining egg supplies from smaller layer flocks caused prices to climb for the rest of 2003. Prices achieved the highest level ever in November 2003 at 122.94 cents per dozen, and fell afterwards to 57.85 cents per dozen in October. For all of 2004, prices averaged 82.18 cents per dozen, 6.5 percent below the average wholesale price for 2003. Retail egg prices last year peaked in March at \$1.625 per dozen, falling thereafter to the year's low of 88.6 cents per dozen in November. For 2004, retail egg prices averaged \$1.305 per dozen, the highest ever recorded.

High producer returns in late 2003 drove repopulation of laying flocks. The rapid rise of the U.S. layer flocks in 2003-04 has set the stage for the lower egg prices that are expected in 2005. From January 2004 to January 2005, U.S. egg-type layers rose by 8.5 million birds, from 280.1 to 288.6 million egg-type layers. The rapid buildup of the laying flocks brought the U.S. egg-type layers to the largest historical inventory ever. Consequently, table egg production in 2004 was also at a record-high of 6,365 million dozen, 2.2 percent over 2003. In 2005, table egg production is expected to increase to about 6,465 million dozen, nearly 1.6 percent over 2004, while prices are expected to move downward to between 64-68 cents per dozen at the wholesale level and about 20 percent below last year's \$1.305 per dozen retail price.

Wholesale monthly prices (NY grade A large) and number of egg-type layers in 2004



2005 Exports Expected To Increase 20 Percent Over Last Year

In 2004, U.S. exports of eggs and egg products (in shell egg equivalents) have substantially recovered from as low as 23.2 million dozen in the first quarter to 53.2 million dozen in the fourth quarter. Bans on all poultry and product exports due to outbreaks in early 2004 of Avian Influenza were confined to a few States and then completely lifted. As normal trade resumed, U.S. exports of eggs and egg products rose substantially. For example, U.S. exports of eggs and egg products (in shell egg equivalents) to the North American Free Trade Agreement more than tripled from 9.08 to 27.52 million dozen between the first and the fourth quarter of 2004.

Likewise, U.S. exports to East Asia (Japan, Hong Kong, S. Korea, China, and Taiwan) rose from 4.9 to 11.3 million dozen and to the EU-15 from 2.4 to 4.9 million dozens during the same period. The U.S. export market for shell eggs and egg products looks more promising in the future, due to competitive U.S. prices, high quality, and restrictive production measures imposed on layer flocks in the European Union. Egg exports in 2005 are expected to be about 20 percent higher than in 2004.

Contacts and Links

Contact Information

Mildred M. Haley (coordinator)	(202) 694-5176	mhaley@ers.usda.gov
David J. Harvey (poultry)	(202) 694-5177	djharvey@ers.usda.gov
Ron Gustafson (cattle)	(202) 694-5174	ronaldg@ers.usda.gov
Monte Vandever (beef trade)	(202) 694-5158	montev@ers.usda.gov
Keithly Jones (sheep and goats)	(202) 694-5172	kjones@ers.usda.gov
Mildred M. Haley (hogs/pork)	(202) 694-5176	mhaley@ers.usda.gov
Jim Miller (dairy)	(202) 694-5284	jjmiller@ers.usda.gov
LaVerne Williams (statistics)	(202) 694-5190	lwilliam@ers.usda.gov
Laverne Creek (web publishing)	(202) 694-5191	lmcreek@ers.usda.gov
Donald Blayney (dairy)	(202) 694-5171	dblayne@ers.usda.gov
Fawzi Taha (eggs)	(202) 694-5178	ftaha@ers.usda.gov

Subscription Information

Subscribe to ERS e-mail notification service at <http://www.ers.usda.gov/updates/> to receive timely notification of newsletter availability. Printed copies can be purchased from the USDA Order Desk by calling 1-800-999-6779 (specify the issue number or series SUB-LDPM-4042)

Data

Colorado State University's Livestock Marketing Information Center (<http://www.lmic.info>) now houses the retail scanner prices for meat database (<http://www.lmic.info/meatscanner/meatscanner.shtml>), including standard tables, the searchable database, and documentation. The raw data underlying the database are from supermarkets across the United States that account for about 20 percent of supermarket sales. Erica Rosa, 720-544-2941.

Recent Report

"Market Integration in the North American Hog Industries" <http://www.ers.usda.gov/publications/ldp/NOV04/ldpm12501/> reports that about 8 percent of the hogs slaughtered in the United States in 2004 will originate in Canada, many more than 10 years ago. Canadian hogs have flowed into the United States in response to significant structural changes in the U.S. pork industry, policy changes in Canada, and a strong U.S./Canadian dollar exchange rate.

Related Websites

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
Dairy, <http://www.ers.usda.gov/briefing/dairy/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
WASDE, <http://www.usda.gov/oce/waob/wasde/latest.pdf>

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

Red meat and poultry forecasts

	2001	2002	2003	2004				2005					
	Annual	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb													
Beef	26,107	27,090	26,238	5,838	6,253	6,360	6,097	24,548	5,765	6,625	6,875	6,325	25,590
Pork	19,138	19,664	19,945	5,130	4,897	5,047	5,435	20,509	5,175	4,950	5,025	5,475	20,625
Lamb and mutton	223	219	199	53	46	46	50	195	49	49	49	52	199
Broilers	31,266	32,240	32,749	8,195	8,492	8,839	8,537	34,063	8,450	8,775	9,075	8,825	35,125
Turkeys	5,562	5,713	5,650	1,309	1,366	1,390	1,389	5,454	1,325	1,400	1,400	1,450	5,575
Total red meat & poultry	83,006	85,669	85,476	20,687	21,220	21,858	21,676	85,441	20,923	21,972	22,606	22,299	87,800
Table eggs, mil. doz.	6,078	6,190	6,207	1,556	1,574	1,598	1,637	6,365	1,590	1,610	1,615	1,650	6,465
Per capita consumption, retail lb 1/													
Beef	66.2	67.6	64.9	16.0	16.9	16.9	16.3	66.1	15.6	17.7	18.1	16.6	68.0
Pork	50.2	51.5	51.8	13.0	12.2	12.7	13.4	51.3	12.6	12.3	12.6	13.5	51.0
Lamb and mutton	1.1	1.2	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.2
Broilers	76.6	80.5	81.6	20.8	21.2	21.9	20.4	84.3	20.7	21.5	22.5	21.5	86.2
Turkeys	17.5	17.7	17.4	3.6	4.0	4.5	5.0	17.1	3.6	3.8	4.0	5.4	17.0
Total red meat & poultry	213.6	220.5	218.9	54.1	54.8	56.6	55.9	221.4	53.3	56.1	58.0	57.8	225.2
Eggs, number	252.7	255.5	254.7	63.7	63.9	64.1	65.5	257.2	63.2	63.9	63.9	65.4	256.4
Market prices													
Choice steers, Neb., \$/cwt	72.71	67.04	84.69	82.16	88.15	83.58	85.09	84.75	88-89	81-85	78-84	79-85	81-86
Feeder steers, Ok City, \$/cwt	88.20	80.04	89.85	87.98	104.58	116.27	110.19	104.76	101-102	89-93	89-95	91-97	92-97
Boning utility cows, S. Falls, \$/cwt	44.39	39.23	46.62	47.50	54.86	56.25	50.78	52.35	53-54	53-57	51-57	50-56	51-56
Choice slaughter lambs, San Angelo, \$/cwt	72.04	72.31	91.98	100.62	97.06	93.62	95.44	96.69	107-108	96-100	94-100	95-101	98-103
Barrows & gilts, N. base, l.e. \$/cwt	45.81	34.92	39.45	44.18	54.91	56.58	54.35	52.51	52-53	52-54	46-50	40-44	47-50
Broilers, 12 City, cents/lb	59.10	55.60	62.00	73.20	79.30	75.70	68.30	74.10	71-72	71-75	71-77	71-77	71-75
Turkeys, Eastern, cents/lb	66.30	64.50	62.10	62.10	66.60	73.10	77.10	69.70	66-67	67-71	69-75	73-79	69-73
Eggs, New York, cents/doz.	67.20	67.10	87.90	114.90	79.70	66.20	68.00	82.20	66-67	60-64	62-68	67-73	64-68
U.S. trade, million lb													
Beef & veal exports	2,269	2,447	2,518	36	120	138	167	461	140	170	180	150	640
Beef & veal imports	3,164	3,218	3,006	873	929	940	937	3,679	900	990	950	900	3,740
Lamb and mutton imports	146	162	168	62	47	34	38	181	50	48	45	42	185
Pork exports	1,560	1,611	1,717	523	546	486	624	2,179	575	580	530	600	2,285
Pork imports	951	1,070	1,185	275	265	291	268	1,099	270	285	305	335	1,195
Broiler exports	5,555	4,807	4,920	1,024	1,008	1,250	1,485	4,767	1,250	1,260	1,245	1,270	5,025
Turkey exports	487	439	484	83	93	134	133	443	120	120	130	140	510

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

For further information, contact: Mildred Haley, (202) 694-5176, mhaley@ers.usda.gov

Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp/>

Economic Indicator Forecasts

	2003		2004					2005				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 2000 dol.)	10,599	10,381	10,709	10,778	10,883	10,976	10,837	11,076	11,176	11,268	11,362	11,226
CPI-U, annual rate (pct.)	0.9	1.9	3.6	4.7	1.9	3.4	3.4	2.2	2.2	2.2	2.3	2.3
Unemployment (pct.)	5.9	6.0	5.6	5.6	5.4	5.4	5.5	5.3	5.2	5.2	5.1	5.2
Interest (pct.)												
3-month Treasury bill	0.9	1.0	0.9	1.1	1.5	2.0	1.4	2.5	2.9	3.2	3.5	3.0
10-year Treasury bond yield	4.3	4.0	4.0	4.6	4.3	4.2	4.3	4.3	4.5	4.7	4.9	4.6

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2005.

For further information, contact: Jim Miller 202 694 5184, jjmiller@ers.usda.gov

Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp>

Dairy Forecasts

	2003		2004					2005				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,011	9,083	8,993	9,001	9,027	9,019	9,010	8,980	8,960	8,945	8,940	8,955
Milk per cow (pounds)	4,611	18,761	4,755	4,869	4,679	4,655	18,958	4,820	4,990	4,780	4,790	19,380
Milk production (bil. pounds)	41.6	170.4	42.8	43.8	42.2	42.0	170.8	43.3	44.7	42.8	42.8	173.6
Commercial use (bil. pounds)												
milkfat basis	45.3	174.7	42.0	43.8	44.6	45.8	176.2	42.5	44.0	45.1	45.9	177.5
skim solids basis	42.0	166.3	42.6	43.2	43.4	44.3	173.5	43.8	44.6	44.3	44.4	177.1
Net removals (bil. pounds)												
milkfat basis	0.0	1.2	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
skim solids basis	0.7	8.1	0.8	0.1	0.4	0.0	1.3	-0.3	-0.1	0.2	0.5	0.3
Prices (dol./cwt)												
All milk 1/	14.40	12.52	14.07	18.60	15.47	16.00	16.03	15.65 -15.85	14.05 -14.55	13.75 -14.55	14.75 -15.75	14.55 -15.15
Class III	13.24	11.42	12.66	19.31	14.54	15.06	15.39	13.85 -14.85	12.75 -13.75	12.75 -13.75	13.25 -14.25	13.15 -14.15
Class IV	10.33	10.00	12.43	14.26	12.92	13.19	13.20	12.45 -12.75	12.05 -12.65	11.95 -12.85	12.00 -13.10	12.10 -12.80

1/ Simple averages of monthly prices. May not match reported annual averages.

Source: World Agricultural Supply and Demand Estimates and supporting materials.

For further information, contact: Jim Miller 202 694 5184, jjmiller@ers.usda.gov

Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp>